

# Auditing Procedures Report

Issued under P.A. 2 of 1968, as amended.

Local Government Type <input type="checkbox"/> City <input type="checkbox"/> Township <input checked="" type="checkbox"/> Village <input type="checkbox"/> Other		Local Government Name <b>Village of Howard City</b>	County <b>Montcalm</b>
Audit Date <b>2/28/06</b>	Opinion Date <b>7/3/06</b>	Date Accountant Report Submitted to State: <b>7/22/06</b>	

We have audited the financial statements of this local unit of government and rendered an opinion on financial statements prepared in accordance with the Statements of the Governmental Accounting Standards Board (GASB) and the *Uniform Reporting Format for Financial Statements for Counties and Local Units of Government in Michigan* by the Michigan Department of Treasury.

We affirm that:

1. We have complied with the *Bulletin for the Audits of Local Units of Government in Michigan* as revised.
2. We are certified public accountants registered to practice in Michigan.

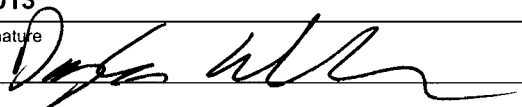
We further affirm the following. "Yes" responses have been disclosed in the financial statements, including the notes, or in the report of comments and recommendations

You must check the applicable box for each item below.

- |   |   |
|---|---|
| <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No | 1. Certain component units/funds/agencies of the local unit are excluded from the financial statements.   |
| <input checked="" type="checkbox"/> Yes <input type="checkbox"/> No | 2. There are accumulated deficits in one or more of this unit's unreserved fund balances/retained earnings (P.A. 275 of 1980).  |
| <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No | 3. There are instances of non-compliance with the Uniform Accounting and Budgeting Act (P.A. 2 of 1968, as amended).  |
| <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No | 4. The local unit has violated the conditions of either an order issued under the Municipal Finance Act or its requirements, or an order issued under the Emergency Municipal Loan Act.   |
| <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No | 5. The local unit holds deposits/investments which do not comply with statutory requirements. (P.A. 20 of 1943, as amended [MCL 129.91], or P.A. 55 of 1982, as amended [MCL 38.1132]).   |
| <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No | 6. The local unit has been delinquent in distributing tax revenues that were collected for another taxing unit.   |
| <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No | 7. The local unit has violated the Constitutional requirement (Article 9, Section 24) to fund current year earned pension benefits (normal costs) in the current year. If the plan is more than 100% funded and the overfunding credits are more than the normal cost requirement, no contributions are due (paid during the year). |
| <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No | 8. The local unit uses credit cards and has not adopted an applicable policy as required by P.A. 266 of 1995 (MCL 129.241).   |
| <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No | 9. The local unit has not adopted an investment policy as required by P.A. 196 of 1997 (MCL 129.95).  |

**We have enclosed the following:**

	Enclosed	To Be Forwarded	Not Required
The letter of comments and recommendations.	✓		
Reports on individual federal financial assistance programs (program audits).			✓
Single Audit Reports (ASLGU).			✓

Certified Public Accountant (Firm Name) <b>Douglas Wohlberg, CPA</b>			
Street Address <b>PO Box 1013</b>	City <b>Byron Center</b>	State <b>MI</b>	ZIP <b>49315</b>
Accountant Signature 		Date <b>7/22/06</b>	

# **Village of Howard City**

**Montcalm County, Michigan**

## **FINANCIAL STATEMENTS AND INDEPENDENT AUDITORS' REPORT**

**Year Ended February 28, 2006**

# Village of Howard City

Montcalm County, Michigan

## Contents

February 28, 2006

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# Village of Howard City

Montcalm County, Michigan

## Contents

February 28, 2006

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## INDEPENDENT AUDITORS' REPORT

To the Village Council  
Village of Howard City  
Montcalm County, Michigan

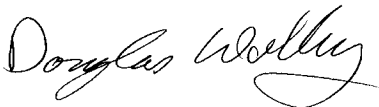
We have audited the accompanying financial statements of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the remaining fund information of Village of Howard City as of and for the year ended February 28, 2006, which collectively comprise the Village's basic financial statements as listed in the table of contents. These financial statements are the responsibility of Village of Howard City management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the remaining fund information of the Village of Howard City as of February 28, 2006, and the respective changes in financial position and cash flows, where applicable, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

The management's discussion and analysis and budgetary comparison information are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Village of Howard City basic financial statements. The combining and individual nonmajor fund financial statements, and statistical tables are presented for purposes of additional analysis and are not a required part of the basic financial statements. The combining and individual nonmajor fund financial statements have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly stated in all material respects in relation to the basic financial statements taken as a whole. The introductory section and statistical tables have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we express no opinion on them.



Byron Center, Michigan  
July 3, 2006

# Village of Howard City

Montcalm County, Michigan

## Management Discussion and Analysis

For the year ended February 28, 2006

### Using this Annual Report

This annual report consists of a series of financial statements. The Statement of Net Assets and the Statement of Activities provide information about the activities of the Village as a whole and present a longer-term view of the Village's finances. Fund financial statements tell how these services were financed in the short-term, as well as what remains for future spending. Fund financial statements also report the Village's operations in more detail than the government-wide financial statements.

### The Village as a Whole

The Village's combined net assets increased 2% from a year ago, increasing from \$2,834,923 to \$2,885,321. This increase is a direct result of approximately five miles of street improvements which included water and sewer extensions to several unserved businesses. Additionally, pump four of the Water Fund was reconstructed to improve and maintain the Village's water system reliability.

Unrestricted net assets, the part of net assets that can be used to finance day to day operations, increased by \$556,174 for the governmental activities. This represents an increase approximately 406%. The current level of unrestricted net assets for our governmental activities stands at \$419,074, or about 34% of expenses. This is within the targeted range set by the Village Council during its last budget process. Approximately \$500,000 of this increase can be associated with the street projects.

	<u>Governmental Activities</u>		<u>Business-type activities</u>		<u>Total</u>	
	<u>2006</u>	<u>2005</u>	<u>2006</u>	<u>2005</u>	<u>2005</u>	<u>2005</u>
Current assets	\$ 266,100	\$ 203,529	\$ 199,717	\$ 217,133	\$ 465,817	\$ 420,662
Noncurrent assets	1,911,548	1,461,387	2,226,176	2,296,461	4,137,724	3,757,848
Total assets	2,177,648	1,664,916	2,425,893	2,513,594	4,603,541	4,178,510
Long-term debt outstanding	942,205	593,727	656,000	715,000	1,598,205	1,308,727
Other liabilities	98,978	15,728	21,037	19,132	120,015	34,860
Total liabilities	1,041,183	609,455	677,037	734,132	1,718,220	1,343,587
Net assets						
Invested in capital assets - net of debt	896,151	1,390,562	1,570,096	1,581,461	2,466,247	2,972,023
Unrestricted	240,314	(335,101)	178,760	198,001	419,074	(137,100)
Total net assets	\$ 1,136,465	\$ 1,055,461	\$ 1,748,856	\$ 1,779,462	\$ 2,885,321	\$ 2,834,923

# Village of Howard City

Montcalm County, Michigan

## Management Discussion and Analysis

For the year ended February 28, 2006

	Governmental Activities		Business-type activities		Total	
	2006	2005	2006	2005	2006	2006
<b><u>Program revenues</u></b>						
Charges for services	\$ 89,634	\$ 170,701	\$ 324,005	\$ 286,715	\$ 413,639	\$ 457,416
Operating grants and contributions	379,491	476,193	-	-	379,491	476,193
<b><u>General revenue</u></b>						
Property tax	260,494	245,811	-	-	260,494	245,811
State shared revenue	137,224	138,533	-	-	137,224	138,533
Unrestricted investment income	6,096	1,216	2,741	775	8,837	1,991
Miscellaneous	30,071	47,887	-	-	30,071	47,887
Interfund transfers	-	(11,463)	-	11,463	-	-
Gain on sale of assets	37,170	-	-	-	37,170	-
<b>Total revenues</b>	<b>940,180</b>	<b>1,068,878</b>	<b>326,746</b>	<b>298,953</b>	<b>1,266,926</b>	<b>1,367,831</b>
<b><u>Program expenses</u></b>						
General government	149,255	201,400	-	-	149,255	201,400
Public safety	322,987	265,759	-	-	322,987	265,759
Public works	368,985	307,941	-	-	368,985	307,941
Recreation and culture	15,827	9,517	-	-	15,827	15,827
Sewer Fund	-	-	197,688	223,951	197,688	223,951
Water Fund	-	-	159,664	118,880	159,664	118,880
Interest on long-term debt	2,122	17,901	-	-	2,122	17,901
<b>Total expenses</b>	<b>859,176</b>	<b>802,518</b>	<b>357,352</b>	<b>342,831</b>	<b>1,216,528</b>	<b>1,151,659</b>
<b>Change in net assets</b>	<b>\$ 81,004</b>	<b>\$ 266,360</b>	<b>(30,606)\$</b>	<b>(43,878)\$</b>	<b>50,398 \$</b>	<b>216,172</b>

# Village of Howard City

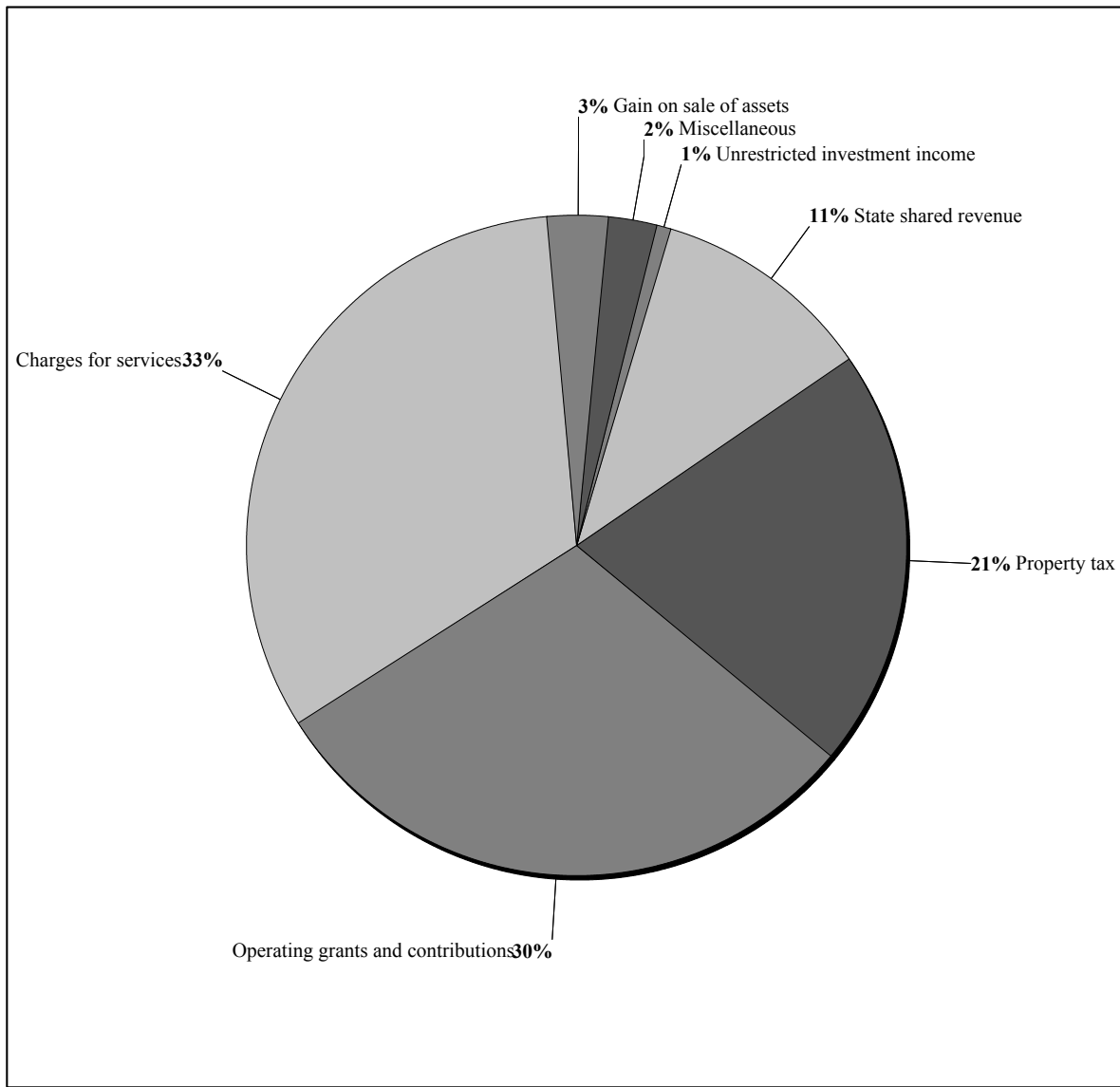
Montcalm County, Michigan

## Management Discussion and Analysis

For the year ended February 28, 2006

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The following chart illustrates the sources of the Village's revenue.



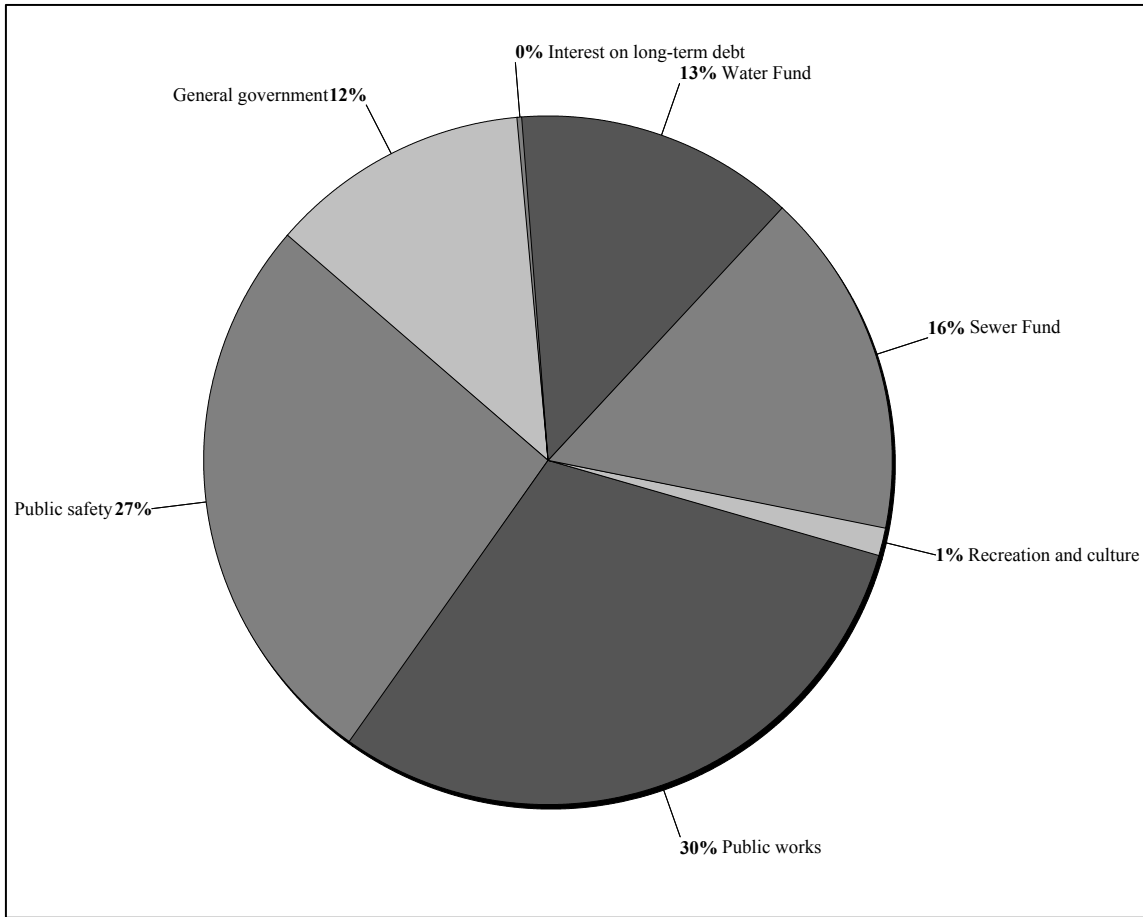


# Village of Howard City

Montcalm County, Michigan  
Management Discussion and Analysis  
For the year ended February 28, 2006

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The following chart illustrates the Village's expenses.



# Village of Howard City

Montcalm County, Michigan

## Management Discussion and Analysis

For the year ended February 28, 2006

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### The Village's Funds

Our presentation of the Village's major funds begins on page 14, following the entity wide financial statements. The fund financial statements provide detail information about the most significant funds, not the Village as a whole. The Village Council creates funds to help manage money for specific purposes as well as to show accountability for certain activities, such as special property tax millages. The Village's major funds for 2006 were the General Fund, the Major Streets Special Revenue Fund and the Ensley/Washburn Capital Projects Fund.

### The General Fund Budget

Total revenue and expenditures of the General Fund decreased from last year because in the previous year the Village purchased a fire truck that was financed by a grant from the Department of Homeland Security.

### Capital Asset and Debt Administration

At the end of 2006, the Village had \$4,162,288, net of accumulated depreciation, invested in a broad range of capital assets, including buildings, police and fire equipment and water and sewer lines.

The following table shows the Village's capital assets compared to last year.

	<u>Governmental Activities</u>		<u>Business-type activities</u>		<u>Total</u>	
	2006	2005	2006	2005	2006	2005
Land	\$ -	\$ -	\$ 34,300	\$ 34,300	\$ 34,300	\$ 34,300
Buildings and improvements	90,000	93,000	-	-	90,000	93,000
Equipment	480,246	509,039	503	670	480,749	509,709
Infrastructure	1,365,866	859,348	2,191,373	2,261,491	3,557,239	3,120,839
Total net assets	\$ 1,936,112	\$ 1,461,387	\$ 2,226,176	\$ 2,296,461	\$ 4,162,288	\$ 3,757,848

# **Village of Howard City**

**Montcalm County, Michigan**

**Management Discussion and Analysis**

**For the year ended February 28, 2006**

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## **Economic Factors and Next Year's Budgets and Rates**

The Village has applied for a Transportation Enhancement Grant to undergo a streetscape project in the Downtown which includes water, sewer and street improvements. This could result in the issuance of bonds in the amount of \$800,000 to complete the improvements.

The Village Council and the DDA has approved an expenditure of approximately \$50,000 in matching funds for an existing Transportation Enhancement Grant to construct a staging area along the White Pine Trail.

Due to the rapid growth of residential and commercial sewer customers, the wastewater treatment facility is nearing 90% capacity. This will require additional investment in the sewer infrastructure in the near future. The Village has approved a \$24,000 expenditure to complete engineering and planning review of the wastewater system to determine necessary improvements. The Village is going to participate in the USDA Community Facilities Program to replace a 1984 fire tanker and a 1973 snow plow truck. The Village was awarded a \$24,000 grant from the USDA and will finance the remaining \$211,000 through an installment purchase agreement, also through the USDA.

## **Contacting the Village's Management**

This financial report is intended to provide our citizens, taxpayers, customers and investors with a general overview of the Village's finances and to show the Village's accountability for the money it receives. If you have questions about this report or need additional information, we welcome you to contact the Village's Manager at the Howard City Village Hall, 125 Shaw Street, Howard City, Michigan, 49329. The Village's phone number is (231) 937-4311.

## **GOVERNMENT-WIDE FINANCIAL STATEMENTS**

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# Village of Howard City

Montcalm County, Michigan

## Statement of Net Assets

For the year ended February 28, 2006

	Governmental activities	Business type activities	Total	Component unit
<b>ASSETS</b>				
Cash and cash equivalents	\$ 265,100	\$ 161,678	\$ 426,778	\$ 63,501
Receivables (net)	1,000	38,039	39,039	11,739
Capital assets (net)	1,911,548	2,226,176	4,137,724	-
<b>TOTAL ASSETS</b>	<b>\$ 2,177,648</b>	<b>\$ 2,425,893</b>	<b>\$ 4,603,541</b>	<b>\$ 75,240</b>
<b>LIABILITIES</b>				
Accounts payable	\$ 5,601	\$ 1,586	\$ 7,187	\$ -
Accrued and other liabilities	7,094	18,509	25,603	-
Deferred revenue	-	942	942	-
Due within one year	86,283	-	86,283	-
Due in more than one year	942,205	656,000	1,598,205	-
<b>TOTAL LIABILITIES</b>	<b>1,041,183</b>	<b>677,037</b>	<b>1,718,220</b>	<b>-</b>
<b>NET ASSETS</b>				
Invested in capital assets	896,151	1,570,096	2,466,247	-
Unrestricted	240,314	178,760	419,074	75,240
<b>TOTAL NET ASSETS</b>	<b>1,136,465</b>	<b>1,748,856</b>	<b>2,885,321</b>	<b>75,240</b>
<b>TOTAL LIABILITIES AND NET ASSETS</b>	<b>\$ 2,177,648</b>	<b>\$ 2,425,893</b>	<b>\$ 4,603,541</b>	<b>\$ 75,240</b>

The Notes to the Financial Statements are an integral part of this statement.

# Village of Howard City

Montcalm County, Michigan

## Statement of Activities

For the year ended February 28, 2006

Functions/Programs	Expenses	Charges for services	Operating grants and contributions
<b><u>PRIMARY GOVERNMENT EXPENSES</u></b>			
General government	\$ 149,255	\$ 2,875	\$ -
Public safety	322,987	86,416	7,444
Public works	368,985	(1,822)	372,047
Recreation and culture	15,827	2,165	-
Interest on long-term debt	2,122	-	-
<b>Total Governmental activities</b>	<b>859,176</b>	<b>89,634</b>	<b>379,491</b>
<b><u>BUSINESS TYPE EXPENSES</u></b>			
Sewer	197,688	174,618	-
Water	159,664	149,387	-
<b>Total Business type activities</b>	<b>357,352</b>	<b>324,005</b>	<b>-</b>
<b>Total Primary government</b>	<b>1,216,528</b>	<b>413,639</b>	<b>379,491</b>
<b><u>COMPONENT UNIT EXPENSES</u></b>			
Downtown Development Authority	\$ 20,803	\$ -	\$ -

### General Revenues

Property taxes

State-shared revenue

Unrestricted investment income

Gain on sale

Miscellaneous

**Total general revenues - special items and transfers**

**Change in net assets**

**Net assets at beginning of year**

**Net assets at end of year**

The Notes to the Financial Statements are an integral part of this statement.

Governmental activities	Business-type activities	Total	Component unit
\$ (146,380)	\$	\$ (146,380)	\$
(229,127)		(229,127)	
1,240		1,240	
(13,662)		(13,662)	
(2,122)		(2,122)	
(390,051)		(390,051)	
	(23,070)	(23,070)	
	(10,277)	(10,277)	
	(33,347)	(33,347)	
(390,051)	(33,347)	(423,398)	
		\$	(20,803)
260,494	-	260,494	46,959
137,224	-	137,224	-
6,096	2,741	8,837	1,017
37,170		37,170	
30,071	-	30,071	215
471,055	2,741	473,796	48,191
81,004	(30,606)	50,398	27,388
1,055,461	1,779,462	2,834,923	47,852
\$ 1,136,465	\$ 1,748,856	\$ 2,885,321	\$ 75,240

The Notes to the Financial Statements are an integral part of this statement.

# Village of Howard City

Montcalm County, Michigan

Governmental Funds

Balance Sheet

February 28, 2006

	General Fund	Major Street Fund	Ensley/ Washburn Project Fund	Nonmajor Funds	Total
<b>ASSETS</b>					
Cash	\$ 49,654	\$ 10,211	\$ 167,141	\$ 11,612	\$ 238,618
Due from other funds	-	5,100	-	-	5,100
Due from other units of government	1,000	-	-	-	1,000
<b>TOTAL ASSETS</b>	<b>\$ 50,654</b>	<b>\$ 15,311</b>	<b>\$ 167,141</b>	<b>\$ 11,612</b>	<b>\$ 244,718</b>
<b>LIABILITIES AND FUND BALANCES</b>					
<b>LIABILITIES</b>					
Accounts payable	\$ 5,256	\$ 148	\$ -	\$ 197	\$ 5,601
Due to other funds	15,000	-	-	5,100	20,100
Accrued wages payable	3,814	-	-	-	3,814
<b>TOTAL LIABILITIES</b>	<b>24,070</b>	<b>148</b>	<b>-</b>	<b>5,297</b>	<b>29,515</b>
<b>FUND BALANCES</b>					
Reserved for					
Debt service	-	-	-	9,340	9,340
Streets	-	15,163	-	(3,025)	12,138
Capital projects	-	-	167,141	-	167,141
Unreserved	26,584	-	-	-	26,584
<b>TOTAL FUND BALANCES</b>	<b>26,584</b>	<b>15,163</b>	<b>167,141</b>	<b>6,315</b>	<b>215,203</b>
<b>TOTAL LIABILITIES AND FUND BALANCES</b>	<b>\$ 50,654</b>	<b>\$ 15,311</b>	<b>\$ 167,141</b>	<b>\$ 11,612</b>	<b>\$ 244,718</b>

The Notes to the Financial Statements are an integral part of this statement.



# Village of Howard City

Montcalm County, Michigan

## Reconciliation of Fund Balance of Governmental Funds to the Net Assets of Governmental Activities on the Statement of Net Assets

For the year ended February 28, 2006

Total fund balances - total governmental funds	\$	215,203
Amounts reported for governmental activities in the statement of net assets are different because:		
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds. These assets consist of:		
Capital assets at cost		2,257,204
Accumulated depreciation		(427,413)
Net capital assets		1,829,791
Long-term liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported in the funds. Balances at February 28, 2006 were:		
Bonds payable		(529,000)
Installment purchase contracts payable		(55,371)
Industrial Park Loan		(423,946)
Accrued absences		(1,698)
Internal service funds are used by management to charge the costs of equipment rental activities to individual funds. The assets and liabilities of the internal service fund are included in governmental activities in the statement of net assets		
		101,486
Net assets of governmental activities	\$	1,136,465

The Notes to the Financial Statements are an integral part of this statement.

# Village of Howard City

Montcalm County, Michigan

Governmental Funds

## Statement of Revenue, Expenditures, and Changes in Fund Balances

For the year ended February 28, 2006

	General Fund	Major Street Fund	Ensley/ Washburn Project Fund	Nonmajor Funds	Total
<b>REVENUE</b>					
Property taxes	\$ 205,301	\$ -	\$ -	\$ 68,426	\$ 273,727
Federal grants	5,000	-	67,671	-	72,671
State grants	138,993	111,488	-	52,888	303,369
Licenses and permits	1,280	-	-	-	1,280
Fines and forfeits	875	-	-	-	875
Charges for services	88,479	-	-	-	88,479
Interest and rentals	4,220	394	3,206	676	8,496
Contributions from local units	-	-	140,000	-	140,000
Other revenue	56,933	225	-	-	57,158
<b>TOTAL REVENUE</b>	<b>501,081</b>	<b>112,107</b>	<b>210,877</b>	<b>121,990</b>	<b>946,055</b>
<b>EXPENDITURES</b>					
General government	130,957	-	-	-	130,957
Public safety	334,302	-	-	-	334,302
Public works	35,863	99,238	-	178,989	314,090
Recreation and culture	21,451	-	-	-	21,451
Other	30,254	-	-	-	30,254
Debt service	-	-	-	15,122	15,122
Capital projects	-	-	-	110	110
Capital outlay	-	-	543,736	-	543,736
<b>TOTAL EXPENDITURES</b>	<b>552,827</b>	<b>99,238</b>	<b>543,736</b>	<b>194,221</b>	<b>1,390,022</b>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES</b>	<b>(51,746)</b>	<b>12,869</b>	<b>(332,859)</b>	<b>(72,231)</b>	<b>(443,967)</b>
<b>OTHER FINANCING SOURCES (USES)</b>					
Transfers in	-	-	-	25,000	25,000
Transfers out	-	(17,500)	-	(7,500)	(25,000)
Bond proceeds	-	-	500,000	-	500,000
<b>TOTAL OTHER FINANCING SOURCES (USES)</b>	<b>-</b>	<b>(17,500)</b>	<b>500,000</b>	<b>17,500</b>	<b>500,000</b>
<b>NET CHANGE IN FUND BALANCES</b>	<b>(51,746)</b>	<b>(4,631)</b>	<b>167,141</b>	<b>(54,731)</b>	<b>56,033</b>
<b>FUND BALANCES, BEGINNING OF YEAR</b>	<b>78,330</b>	<b>19,794</b>	<b>-</b>	<b>61,046</b>	<b>159,170</b>
<b>FUND BALANCES, END OF YEAR</b>	<b>\$ 26,584</b>	<b>\$ 15,163</b>	<b>\$ 167,141</b>	<b>\$ 6,315</b>	<b>\$ 215,203</b>

The Notes to the Financial Statements are an integral part of this statement.

# Village of Howard City

Montcalm County, Michigan

## Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances of Governmental Funds to the Statement of Activities

For the year ended February 28, 2006

Net change in fund balances - total governmental funds	\$	56,033
Amounts reported for governmental activities in the statement of activities are different because:		
Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount of capital outlay added to capital assets.		590,870
An internal service fund is used by management to charge the cost of certain equipment to individual funds		(1,822)
Sale of capital assets		(4,053)
Issuance of long-term debt		(500,000)
Repayment of long-term debt is an expenditure in governmental funds, but the repayment reduces long-term liabilities in the statement of net assets		53,766
Some expense reported in the statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds:		
Depreciation		(112,092)
Accrued absences		(1,698)
Change in net assets of government activities	\$	81,004

The Notes to the Financial Statements are an integral part of this statement.

# Village of Howard City

Montcalm County, Michigan

Proprietary Funds

Statement of Net Assets

February 28, 2006

	Sewer Fund	Water Fund	Total	Governmental activities - Internal Service Fund
<b>ASSETS</b>				
Current assets				
Cash	\$ 45,700	\$ 43,601	\$ 89,301	\$ 26,482
Accounts receivable	21,844	16,195	38,039	-
Due from other funds	-	-	-	15,000
<b>Total current assets</b>	<b>67,544</b>	<b>59,796</b>	<b>127,340</b>	<b>41,482</b>
Noncurrent assets				
Restricted cash	59,402	12,975	72,377	-
Capital assets	1,691,088	535,088	2,226,176	81,757
<b>Total Noncurrent assets</b>	<b>1,750,490</b>	<b>548,063</b>	<b>2,298,553</b>	<b>81,757</b>
<b>TOTAL ASSETS</b>	<b>\$ 1,818,034</b>	<b>\$ 607,859</b>	<b>\$ 2,425,893</b>	<b>\$ 123,239</b>
<b>LIABILITIES AND NET ASSETS</b>				
Current liabilities				
Accounts payable	\$ -	\$ 1,586	\$ 1,586	\$ -
Payroll deductions payable	-	-	-	3,280
Accrued interest payable	11,284	277	11,561	-
Customers deposits payable	118	6,830	6,948	-
Deferred revenue	942	-	942	-
<b>Total current liabilities</b>	<b>12,344</b>	<b>8,693</b>	<b>21,037</b>	<b>3,280</b>
Long-term debt				
Bonds payable	592,000	64,000	656,000	-
Notes payable	-	-	-	31,644
<b>Total noncurrent liabilities</b>	<b>592,000</b>	<b>64,000</b>	<b>656,000</b>	<b>31,644</b>
<b>TOTAL LIABILITIES</b>	<b>604,344</b>	<b>72,693</b>	<b>677,037</b>	<b>34,924</b>
<b>NET ASSETS</b>				
Invested in capital assets - net of related debt	1,099,008	471,088	1,570,096	50,113
Undesignated	114,682	64,078	178,760	38,202
<b>TOTAL NET ASSETS</b>	<b>1,213,690</b>	<b>535,166</b>	<b>1,748,856</b>	<b>88,315</b>
<b>TOTAL LIABILITIES AND NET ASSETS</b>	<b>\$ 1,818,034</b>	<b>\$ 607,859</b>	<b>\$ 2,425,893</b>	<b>\$ 123,239</b>

The Notes to the Financial Statements are an integral part of this statement.

# Village of Howard City

Montcalm County, Michigan

Proprietary Funds

Statement of Revenue, Expenses and Changes in Net Assets

For the year ended February 28, 2006

	Sewer Fund	Water Fund	Total	Governmental activities - Internal Service Fund
<b><u>OPERATING REVENUE</u></b>				
Sales	\$ 174,618	\$ 149,387	\$ 324,005	\$ 91,170
<b><u>OPERATING EXPENSES</u></b>				
Personal services	46,294	53,439	99,733	22,090
Contractual services	14,028	42,209	56,237	27,059
Utilities	8,905	11,185	20,090	11,351
Repairs and maintenance	11,529	15,601	27,130	4,215
Rent	8,693	8,408	17,101	-
Other	2,278	3,005	5,283	2,863
Depreciation	71,916	16,471	88,387	24,564
<b>TOTAL OPERATING EXPENSES</b>	<b>163,643</b>	<b>150,318</b>	<b>313,961</b>	<b>92,142</b>
<b>OPERATING INCOME (LOSS)</b>	<b>10,975</b>	<b>(931)</b>	<b>10,044</b>	<b>(972)</b>
<b><u>NONOPERATING REVENUE (EXPENSES)</u></b>				
Interest and dividends	1,965	776	2,741	627
Interest expense	(31,733)	(3,950)	(35,683)	(1,477)
Debt service	(2,312)	(5,396)	(7,708)	-
<b>TOTAL NONOPERATING REVENUES (EXPENSE)</b>	<b>(32,080)</b>	<b>(8,570)</b>	<b>(40,650)</b>	<b>(850)</b>
<b>CHANGE IN NET ASSETS</b>	<b>(21,105)</b>	<b>(9,501)</b>	<b>(30,606)</b>	<b>(1,822)</b>
<b>NET ASSETS, BEGINNING OF YEAR</b>	<b>1,234,795</b>	<b>544,667</b>	<b>1,779,462</b>	<b>90,137</b>
<b>NET ASSETS, END OF YEAR</b>	<b>\$ 1,213,690</b>	<b>\$ 535,166</b>	<b>\$ 1,748,856</b>	<b>\$ 88,315</b>

The Notes to the Financial Statements are an integral part of this statement.

# Village of Howard City

Montcalm County, Michigan

Proprietary Funds

Statement of Cash Flows

For the year ended February 28, 2006

	Sewer Fund	Water Fund	Total	Governmental activities - Internal Service Fund
<b><u>CASH FLOWS FROM OPERATING ACTIVITIES</u></b>				
Receipts from customers	\$ 174,702	\$ 150,007	\$ 324,709	\$ 91,170
Payments to suppliers	(45,433)	(78,822)	(124,255)	(45,488)
Payments to employees	(46,294)	(53,439)	(99,733)	(24,227)
Customer deposits	60	645	705	-
Due from other funds	-	-	-	(15,000)
<b>Net cash provided (used) by operating activities</b>	<b>83,035</b>	<b>18,391</b>	<b>101,426</b>	<b>6,455</b>
<b><u>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</u></b>				
Purchase of capital assets	-	(18,102)	(18,102)	-
Principal and interest paid on capital debt	(78,570)	(14,998)	(93,568)	(14,648)
Other receipts (payments)	(2,312)	(5,396)	(7,708)	-
<b>Net cash provided (used) by capital and related financing activities</b>	<b>(80,882)</b>	<b>(38,496)</b>	<b>(119,378)</b>	<b>(14,648)</b>
<b><u>CASH FLOWS FROM INVESTING ACTIVITIES</u></b>				
Interest and dividends	1,965	776	2,741	627
<b>Net increase (decrease) in cash and cash equivalents</b>	<b>4,118</b>	<b>(19,329)</b>	<b>(15,211)</b>	<b>(7,566)</b>
<b>Balances - beginning of year</b>	<b>100,984</b>	<b>75,905</b>	<b>176,889</b>	<b>34,048</b>
<b>Balances - end of year</b>	<b>\$ 105,102</b>	<b>\$ 56,576</b>	<b>\$ 161,678</b>	<b>\$ 26,482</b>
<b><u>Reconciliation of Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities</u></b>				
Operating income (loss)	\$ 10,975	\$ (931)	\$ 10,044	\$ (972)
Provided (used) by operating activities				
Depreciation expense	71,916	16,471	88,387	24,564
Receivables - net	1,585	620	2,205	-
Accounts and other payables	-	1,586	1,586	(2,137)
Deferred revenue	(1,501)	-	(1,501)	-
Collection of amounts due from other funds	-	-	-	(15,000)
Customer deposits	60	645	705	-
<b>Net cash provided by operating activities</b>	<b>\$ 83,035</b>	<b>\$ 18,391</b>	<b>\$ 101,426</b>	<b>\$ 6,455</b>

The Notes to the Financial Statements are an integral part of this statement.

# Village of Howard City

Montcalm County, Michigan

Fiduciary Funds

Statement of Net Assets

For the year ended February 28, 2006

<u>Agency Fund Type</u>		
<u>ASSETS</u>		
Cash	\$	1,066
<u>LIABILITIES AND FUND BALANCE</u>		
Payroll withholdings payable	\$	1,066

The Notes to the Financial Statements are an integral part of this statement.

## NOTES TO FINANCIAL STATEMENTS

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# **Village of Howard City**

Montcalm County, Michigan

Notes to Financial Statements

For the year ended February 28, 2006

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## **NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The accounting policies of Village of Howard City conform to accounting principles generally accepted in the United States of America (GAAP) as applicable to governmental units. The following is a summary of the significant accounting policies used by Village of Howard City.

### **A. Reporting Entity**

The Village of Howard City was incorporated under the provisions of Act 8, P.A. 1895 as amended as a General Law Village. The Village operates under a President-Council form of government and provides the following services as authorized by its charter: public safety, public works, culture and recreation, public improvement, and general administration services.

### **B. Government-Wide and Fund Financial Statements**

The government-wide financial statements (i.e., the statement of net assets and the statement of changes in net assets) report information on all of the nonfiduciary activities of the primary government and its component units. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, normally supported by taxes and intergovernmental revenues, are reported separately from business-type activities which rely to a significant extent on fees and charges for support. Likewise, the primary government is reported separately from certain legally separate component units for which the primary government is financially accountable.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues include: (1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment; and (2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as general revenue.

Separate financial statements are provided for governmental funds, proprietary funds and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements.

# Village of Howard City

Montcalm County, Michigan

## Notes to Financial Statements

For the year ended February 28, 2006

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### C. Measurement Focus, Basis of Accounting and Financial Statement Presentation

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are the proprietary fund and fiduciary fund financial statements. Revenue is recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenue in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenue is recognized as soon as it is both measurable and available. Revenue is considered to be available if it is collected within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, expenditures relating to compensated absences, and claims and judgments are recorded only when payment is due.

The Village of Howard City's property tax is levied on each December 1 on the taxable valuation of property (as defined by State statutes) located in Village of Howard City as of the preceding December 31st.

The Village of Howard City's 2005 ad valorem tax is levied and collectible on July 1, 2005, and is recognized as revenue in the year ended February 28, 2006, when the proceeds of the levy are budgeted for the financing of operations.

The 2005 taxable valuation of Village of Howard City totaled \$21,000,424, after capture for the Downtown Development Authority, on which ad valorem taxes levied consisted of the following:

	Mills levied		Raising
Operating	9.1502	\$	192,158
Highway	3.2590	\$	68,440

These amounts are recognized in the General Fund financial statements as tax revenue.

The government reports the following major governmental funds:

The General Fund is the government's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.

The Major Streets Fund accounts for Act 51 money received from the State of Michigan for the maintenance and construction of streets in the Village.

The Ensley/Washburn Capital Project Fund accounts for bond proceeds and other revenue used to reconstruct parts of two streets.

The government reports the following major proprietary funds:

The Water Fund and the Sewer Fund account for the activities of the water distribution system and sewage collection system.

# Village of Howard City

Montcalm County, Michigan

## Notes to Financial Statements

For the year ended February 28, 2006

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Private-sector standards of accounting issued prior to December 1, 1989, are generally followed in both the government-wide and proprietary fund financial statements to the extent that those standards do not conflict with the standards of the Governmental Accounting Standards Board. The government has elected to also follow private-sector standards issued after November 30, 1989 for its business-type activities.

As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements. Exceptions to this general rule are charges between the government's water and sewer function and various other functions of the government. Eliminations of these charges would distort the direct costs and program revenues reported for the various functions concerned.

Amounts reported as program revenue include: (1) charges to customers or applicants for goods, services or privileges provided; (2) operating grants and contributions; and (3) capital grants and contributions, including special assessments. Internally dedicated resources are reported as general revenue rather than as program revenue. Likewise, general revenue includes all taxes.

Proprietary funds distinguish operating revenue and expenses from nonoperating items. Operating revenue and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenue of our proprietary funds relate to charges to customers for sales and services. The water and sewer funds also recognize the portion of tap fees intended to recover current costs (e.g., labor and materials to hook up new customers) as operating revenue. The portion intended to recover the cost of the infrastructure is recognized as nonoperating revenue. Operating expenses for proprietary funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenue and expenses not meeting this definition are reported as nonoperating revenue and expenses.

### D. Assets, Liabilities, and Net Assets or Equity

**Bank Deposits and Investments**--Cash and cash equivalents are considered to be cash on hand, demand deposits, and short-term investments with a maturity of three months or less when acquired. Investments are stated at fair value.

**Receivables and Payables**--In general, outstanding balances between funds are reported as "due to/from other funds." Activity between funds that is representative of lending/borrowing arrangements outstanding at the end of the fiscal year is referred to as "advances to/from other funds." Any residual balances outstanding between the governmental activities and the business-type activities are reported in the government-wide financial statements as "internal balances."

All trade and property tax receivables are shown as net of allowance for uncollectible amounts. Property taxes are levied on each December 1st on the taxable valuation of property as of the preceding December 31st. Taxes are considered delinquent on March 1st of the following year, at which time penalties and interest are assessed.

# Village of Howard City

Montcalm County, Michigan

## Notes to Financial Statements

For the year ended February 28, 2006

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**Inventories and Prepaid Items**--Inventories are valued at cost, on a first-in, first-out basis. Inventories of governmental funds are recorded as expenditures when consumed rather than when purchased. Certain payments to vendors reflect costs applicable to future fiscal years and are recorded as prepaid items in both government-wide and fund financial statements.

**Capital Assets**--Capital assets, which include property, plant, equipment, infrastructure assets (e.g., roads, bridges, sidewalks, and similar items) are reported in the applicable governmental or business-type activities column in the government-wide financial statements. Capital assets are defined by the government as assets with an initial individual cost of more than \$1,000 and an estimated useful life in excess of two years. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation.

Property, plant and equipment is depreciated using the straight-line method over the following useful lives:

Buildings	40 to 60 years
Building improvements	15 to 30 years
Water and Sewer Lines	50 to 75 years
Roads	40 years
Vehicles	3 to 5 years
Office equipment	5 to 7 years
Computer equipment	3 to 7 years

**Compensated Absences (Vacation and Sick Leave)**--It is the government's policy to permit employees to accumulate earned but unused sick and vacation pay benefits. All unused vacation and sick pay is accrued when incurred in the government-wide, proprietary and fiduciary fund financial statements.

**Long-Term Obligations**--In the government-wide financial statements and the proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund type statement of net assets. Bond premiums and discounts, as well as issuance costs, are deferred and amortized over the life of the bonds using the effective interest method. Bonds payable are reported net of the applicable bond premium or discount. Bond issuance costs are reported as deferred charges and amortized over the term of the related debt. In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts are reported as other financing uses. Issuance costs are reported as debt service expenditures.

**Fund Equity**--In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose. Designations of fund balance represent tentative management plans that are subject to change.

**Comparative Data/Reclassifications**--Comparative total data for the prior year have been presented only for individual governmental funds in the fund financial statements in order to provide an understanding of the changes in the financial position and operations of these funds. Also, certain amounts presented in the prior year data have been reclassified in order to be consistent with the current year's presentation.

# **Village of Howard City**

**Montcalm County, Michigan**

**Notes to Financial Statements**

**For the year ended February 28, 2006**

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## **NOTE 2- STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY**

**Budgetary Information--Annual budgets are adopted on a basis consistent with generally accepted accounting principles for all governmental funds. All annual appropriations lapse at fiscal year end.**

**The Village normally follows these procedures in establishing the budgetary data reflected in the financial statements:**

**The Village Administration submits to the Village Council a proposed operating budget for the fiscal year commencing the following March 1.**

**The operating budget includes proposed expenditures and the means of financing them.**

**A public hearing is conducted at the Village hall to obtain taxpayer comments.**

**The budget is legally adopted by ordinance before March 1.**

**All budget appropriations lapse at year end. Budgetary amounts reported herein are as originally adopted, or as amended by the Village Council throughout the operating year.**

**The Village adopts budgets for the General Fund and the Special Revenue Funds.**

**Budgets shown in the financial statements are adopted on a basis consistent with generally accepted accounting principles, and consist only of those amounts contained in the formal budget approved as amended by the Village Council.**

**The legal level of control is at the activity level of the General Fund, and at the fund expenditure totals for the and Special Revenue funds.**

**The Village Manager is authorized to transfer budgeted amounts between accounts within the same department. Revisions that alter the total expenditures of any fund or total department expenditures must be approved by the Village Council.**

**The budget document presents information by fund, function, department and line items. The legal level of budgetary control adopted by the governing body is the department level.**

**Amounts encumbered for purchase orders, contracts, etc., are not tracked during the year. Budget appropriations are considered to be spent once the goods are delivered or the services rendered.**

# Village of Howard City

Montcalm County, Michigan

Notes to Financial Statements

For the year ended February 28, 2006

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## **NOTE 3 - DEPOSITS AND INVESTMENTS**

Michigan Compiled Laws, Section 129.91, authorizes Village of Howard City to make deposits and invest in the accounts of federally insured banks, credit unions, and savings and loan associations which have an office in Michigan. The local unit is allowed to invest in bonds, securities and other direct obligations of the United States or any agency or instrumentality of the United States; United States government or federal agency obligations; repurchase agreements; bankers' acceptance of United States banks; commercial paper rated within the two highest classifications which mature not more than 270 days after the date of purchase; obligations of the State of Michigan or its political subdivisions which are rated as investment grade; and mutual funds composed of investment vehicles which are legal for direct investment by local units of government in Michigan.

The investment policy adopted by the Council in accordance with Public Act 196 of 1997 has authorized investment in all of State statutory authority as listed above.

The Village's cash and investments are subject to several types of risk, which are examined in more detail below:

### **Custodial Credit Risk of Bank Deposits**

Custodial credit risk is the risk that in the event of a bank failure, the Village's deposits may not be returned to it. The Village does not have a deposit policy for custodial credit risk. At the year end, the Village had \$515,686 of bank deposits (money market, checking and savings accounts) that were uninsured and uncollateralized. The Village believes that due to the dollar amounts of cash deposits and the limits of FDIC insurance, it is impractical to insure all deposits. As a result, the Village evaluates each financial institution with which it deposits funds and assesses the level of risk of each institution; only those institutions with an acceptable estimated risk level are used as depositories.

# Village of Howard City

Montcalm County, Michigan

Notes to Financial Statements

For the year ended February 28, 2006

## **NOTE 4 - CAPITAL ASSETS**

Capital asset activity of the primary government for the current year was as follows:

<b>Governmental Activities</b>	<b>Balance March 1, 2005</b>	<b>Additions</b>	<b>Disposals</b>	<b>Balance February 28, 2006</b>
<b>Capital assets being depreciated:</b>				
Buildings	\$ 120,000	\$	\$	\$ 120,000
Equipment	621,607	47,134	20,266	648,475
Internal service fund equipment	385,448			385,448
Infrastructure	944,993	543,736		1,488,729
<b>Subtotal</b>	<b>2,072,048</b>	<b>590,870</b>	<b>20,266</b>	<b>2,642,652</b>
<b>Accumulated depreciation:</b>				
Buildings	27,000	3,000		30,000
Equipment	218,889	47,310	16,213	249,986
Internal service fund equipment	279,127	24,564		303,691
Infrastructure	85,645	37,218		122,863
<b>Subtotal</b>	<b>610,661</b>	<b>112,092</b>	<b>16,213</b>	<b>706,540</b>
<b>Net capital assets being depreciated</b>	<b>1,461,387</b>	<b>478,778</b>	<b>4,053</b>	<b>1,936,112</b>
<b>Net capital assets</b>	<b>\$ 1,461,387</b>	<b>\$ 478,778</b>	<b>\$ 4,053</b>	<b>\$ 1,936,112</b>

<b>Business-Type Activities</b>	<b>Balance March 1, 2006</b>	<b>Additions</b>	<b>Disposals</b>	<b>Balance February 28, 2006</b>
<b>Assets not being depreciated</b>	<b>\$ 34,300</b>	<b>\$</b>	<b>\$</b>	<b>\$ 34,300</b>
<b>Capital assets being depreciated:</b>				
Buildings and improvements	3,592,428	18,102		3,610,530
Machinery and equipment	14,412			14,412
<b>Subtotal</b>	<b>3,606,840</b>	<b>18,102</b>		<b>3,624,942</b>
<b>Accumulated depreciation:</b>				
Buildings and improvements	1,330,937	88,220		1,419,157
Machinery and equipment	13,742	167		13,909
<b>Subtotal</b>	<b>1,344,679</b>	<b>88,387</b>		<b>1,433,066</b>
<b>Net capital assets being depreciated</b>	<b>2,262,161</b>	<b>(70,285)</b>		<b>2,191,876</b>
<b>Net capital assets</b>	<b>\$ 2,296,461</b>	<b>\$ (70,285)</b>	<b>\$</b>	<b>\$ 2,226,176</b>

# Village of Howard City

Montcalm County, Michigan

## Notes to Financial Statements

For the year ended February 28, 2006

Depreciation expense was charged to programs of the primary government as follows:

**Governmental activities:**

General government	\$	3,000
Public safety		47,309
Public works		61,783
<b>Total governmental activities</b>	<b>\$</b>	<b>112,092</b>

**Business-Type activities:**

Sewer	\$	71,916
Water		16,471
<b>Total Business-Type activities</b>	<b>\$</b>	<b>88,387</b>

## **NOTE 5 - INTERFUND RECEIVABLES, PAYABLES AND TRANSFERS**

The composition of the interfund balances as of February 28, 2006, is as follows:

Receivable fund	Payable fund	Amount
Equipment Fund	General Fund	\$ 15,000
Major Streets Fund	Local Streets Fund	2,000
Major Streets Fund	Locally Raised Street Fund	3,100
<b>Total</b>		<b>\$ 20,100</b>

**Interfund Transfers**

Transfers In	Transfers Out		Total
	Major Streets Fund	Local Streets Fund	
Street Bond Fund	\$ 7,500	\$ 7,500	\$ 15,000
Local Streets Fund	10,000	-	10,000
<b>Total</b>	<b>\$ 17,500</b>	<b>\$ 7,500</b>	<b>\$ 25,000</b>



# Village of Howard City

Montcalm County, Michigan

Notes to Financial Statements

For the year ended February 28, 2006

## **NOTE 6 - LONG-TERM DEBT**

Bond and contractual obligation activity can be summarized as follows:

	Balance March 1, 2005	Additions	Reductions	Balance February 28, 2006	Due within one year
<b>Governmental activities</b>					
General obligation bonds					
1997 Michigan Transportation Bonds	\$ 42,000	\$ -	\$ 13,000	\$ 29,000	\$ 14,000
2005 Michigan Transportation Bonds	-	500,000	-	500,000	15,000
Installment purchase agreements					
Fire truck purchase contract	67,550	-	12,179	55,371	12,811
Loans					
Renaissance Zone Loan through Michigan Strategic Fund	439,362	-	15,416	423,946	30,832
<b>Total Governmental activities</b>	<b>548,912</b>	<b>500,000</b>	<b>40,595</b>	<b>1,008,317</b>	<b>72,643</b>
<b>Internal service fund</b>					
Backhoe installment purchase contract	44,815	-	13,171	31,644	13,640
<b>Business type activities</b>					
Revenue bonds					
1996 Sewer Bonds	42,000	-	21,000	21,000	21,000
1984 Sewer bonds	523,000	-	8,000	515,000	8,000
1997 Water and Sewer bonds	150,000	-	30,000	120,000	30,000
<b>Total Business type activities</b>	<b>\$ 715,000</b>	<b>\$ -</b>	<b>\$ 59,000</b>	<b>\$ 656,000</b>	<b>\$ 59,000</b>
<b>Total Long-Term Debt</b>	<b>\$ 1,308,727</b>	<b>\$ 500,000</b>	<b>\$ 112,766</b>	<b>\$ 1,695,961</b>	<b>\$ 145,283</b>

# Village of Howard City

Montcalm County, Michigan

## Notes to Financial Statements

For the year ended February 28, 2006

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Annual debt service requirements to maturity for the above obligation follows:

February 28		Principal		Interest		Total
2007	\$	145,283	\$	54,054	\$	199,337
2008		127,432		49,230		176,662
2009		107,886		45,119		153,005
2010		105,742		41,499		147,241
2011		60,832		38,680		99,512
2012		61,832		37,408		99,240
2013		61,832		36,112		97,944
2014		62,832		34,795		97,627
2015		67,832		33,455		101,287
2016		68,832		31,892		100,724
2017		69,832		30,285		100,117
2018		69,832		28,643		98,475
2019		70,832		26,979		97,811
2020		69,130		25,267		94,397
2021		46,000		23,333		69,333
2022		48,000		21,352		69,352
2023		48,000		19,328		67,328
2024		54,000		17,280		71,280
2025		55,000		14,986		69,986
2026		56,000		12,645		68,645
2027		22,000		10,260		32,260
2028		23,000		9,248		32,248
2029		25,000		8,167		33,167
2030		25,000		7,042		32,042
2031		27,000		5,873		32,873
2032		28,000		4,635		32,635
2033		30,000		3,330		33,330
2034		31,000		1,958		32,958
2035		28,000		630		28,630
Totals	\$	1,695,961	\$	673,485	\$	2,369,446

# Village of Howard City

Montcalm County, Michigan

## Notes to Financial Statements

For the year ended February 28, 2006

### **NOTE 7 - SEGMENT INFORMATION**

The Village operates two funds which provide sewage and water services. Summary financial information for the sewer department is presented below:

#### Condensed Statement of Net Assets

	Sewer Fund	Water Fund
<b>Assets</b>		
Current assets	\$ 67,544	\$ 59,796
Restricted assets	59,402	12,975
Capital assets	1,691,088	535,088
<b>Total Assets</b>	<b>1,818,034</b>	<b>607,859</b>
<b>Liabilities</b>		
Current liabilities	12,344	8,693
Noncurrent liabilities	592	64,000
<b>Total Liabilities</b>	<b>12,936</b>	<b>72,693</b>
<b>Net Assets</b>		
Invested in capital assets	1,099,008	471,088
Unrestricted	114,682	64,078
<b>Total Net Assets</b>	<b>\$ 1,213,690</b>	<b>\$ 535,166</b>

# Village of Howard City

Montcalm County, Michigan

## Notes to Financial Statements

For the year ended February 28, 2006

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### Condensed Statement of Revenue, Expenses, and Changes in Net Assets

	Sewer Fund	Water Fund
Sewer Charges	\$ 174,618	\$ 149,387
Depreciation	(71,916)	(16,471)
Other operating expenses	(91,727)	(133,847)
Operating income	10,975	(931)
Nonoperating revenue (expense)		
Investment earnings	1,965	776
Interest expense	(31,733)	(3,950)
Debt service	(2,312)	(5,396)
Total nonoperating revenue and expenses	(32,080)	(8,570)
Changes in net assets	(21,105)	(9,501)
Beginning net assets	1,234,795	544,667
Ending net assets	\$ 1,213,690	\$ 535,166

### Condensed Statement of Cash Flows

	Sewer Fund	Water Fund
Net cash provided by (used in)		
Operating activities	\$ 83,035	\$ 18,391
Capital and related financing activities	(80,882)	(38,496)
Investing activities	1,965	776
Net increase (decrease) in cash	4,118	(19,329)
Beginning cash and cash equivalents	100,984	75,905
Ending cash and cash equivalents	\$ 105,102	\$ 56,576

# Village of Howard City

Montcalm County, Michigan

Notes to Financial Statements

For the year ended February 28, 2006

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## **NOTE 8 - RESTRICTED ASSETS**

The balances of the restricted asset accounts in the enterprise funds are as follows:

<b>Revenue bond restrictions</b>	<b>\$</b>	<b>72,377</b>
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## **NOTE 9 - RISK MANAGEMENT**

Village of Howard City is exposed to various risks of loss related to property loss, torts, errors and omissions and employee injuries (workers' compensation), as well as medical benefits provided to employees. The Village of Howard City obtains commercial insurance coverage through the Michigan Municipal League for all claims. Settled claims relating to the commercial insurance have not exceeded the amount of insurance coverage in any of the past three fiscal years.

The Michigan Municipal League risk pool program operates as a common risk-sharing management program for local units of government in Michigan; member premiums are used to purchase commercial excess insurance coverage and to pay member claims in excess of deductible amounts.

## **NOTE 10 - OTHER POST-EMPLOYMENT BENEFITS**

The Village has no post-retirement benefit plans at this time other than its pension plan.

# Village of Howard City

Montcalm County, Michigan

## Notes to Financial Statements

For the year ended February 28, 2006

### **NOTE 11 - EMPLOYEE RETIREMENT AND BENEFIT SYSTEMS**

#### Defined Benefit Pension Plan

**Plan Description**--Village of Howard City participates in the Michigan Municipal Employees' Retirement System (MERS), an agent multiple-employer defined benefit pension plan that covers all employees of Village of Howard City. The system provides retirement, disability and death benefits to plan members and their beneficiaries. MERS issues a publicly available financial report that includes financial statements and required supplementary information for the system. That report may be obtained by writing to the System at: 1134 Municipal Way, Lansing, Michigan 48917.

**Funding Policy**--The obligation to contribute to and maintain the system for these employees requires a contribution of 2.5 percent from all employees.

**Annual Pension Costs** --For year ended 2005, the Village of Howard City's annual pension cost of \$32,752 for the plan was equal to the required and actual contribution. The annual required contribution was determined as part of an actuarial valuation at December 31, 2004, using the entry age normal method. Significant actuarial assumptions used include: (i) an 8.00 percent investment rate of return; (ii) projected salary increases of 4.50 percent per year; and (iii) 0.00 percent per year cost of living adjustments. Both determined using techniques that smooth the effects of short-term volatility over a four-year period. The unfunded actuarial liability is being amortized as a level percent of payroll on a closed basis. The remaining amortization period is 30 years.

Three year trend information as of December 31, 2004 follows:

	2005	2004	2003
Annual pension cost	\$ 28,120	\$ 32,993	\$ 30,438
Percentage of APC Contributed	100 %	100 %	100 %
Actuarial value of assets	\$ 757,936	\$ 738,285	\$ 712,164
Actuarial accrued liability	\$ 902,773	\$ 855,771	\$ 839,768
Unfunded AAL	\$ 144,837	\$ 117,486	\$ 127,604
Funded ratio	83.96 %	86.27 %	84.80 %
Covered payroll	\$ 303,821	\$ 245,794	\$ 295,593
UAAL as a percentage of covered payroll	47.67 %	47.80 %	43.17 %

## Required Supplemental Information

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# Village Of Howard City

Montcalm County, Michigan

General Fund

Balance Sheet

February 28, 2006

	2006	2005
<b>ASSETS</b>		
Cash	\$ 49,654	\$ 88,563
Due from other units of government	1,000	-
Due from other funds	-	78
<b>TOTAL ASSETS</b>	<b>\$ 50,654</b>	<b>\$ 88,641</b>
<b>LIABILITIES AND FUND EQUITY</b>		
<b>LIABILITIES</b>		
Accounts payable	\$ 5,256	\$ 5,618
Due to other funds	15,000	-
Payroll deductions payable	-	917
Accrued wages payable	3,814	3,776
<b>TOTAL LIABILITIES</b>	<b>24,070</b>	<b>10,311</b>
<b>FUND BALANCES</b>		
Undesignated fund balance	26,584	78,330
<b>TOTAL LIABILITIES AND FUND BALANCES</b>	<b>\$ 50,654</b>	<b>\$ 88,641</b>



# Village Of Howard City

Montcalm County, Michigan

General Fund

Budgetary Comparison Schedule

For the year ended February 28, 2006

	Original budget	Final budget	Actual	Variance with final budget	2005
<b>REVENUES</b>					
Property Taxes					
Current real property taxes	\$ 210,500	\$ 210,500	\$ 202,390	\$ (8,110)	\$ 191,922
Penalties and interest on taxes	30	30	36	6	22
Property tax administration fee	2,750	2,750	2,875	125	2,678
<b>Total Property Taxes</b>	<b>213,280</b>	<b>213,280</b>	<b>205,301</b>	<b>(7,979)</b>	<b>194,622</b>
<b>Federal grants</b>	<b>5,000</b>	<b>5,000</b>	<b>5,000</b>	<b>-</b>	<b>304,580</b>
State Grants					
State revenue sharing	135,000	135,000	137,224	2,224	138,533
Other state grants	1,750	1,750	1,769	19	1,715
<b>Total State Grants</b>	<b>136,750</b>	<b>136,750</b>	<b>138,993</b>	<b>2,243</b>	<b>140,248</b>
Licenses and Permits					
Non-business licenses and permits	500	500	1,280	780	950
<b>Fines and forfeitures</b>	<b>1,500</b>	<b>1,500</b>	<b>875</b>	<b>(625)</b>	<b>1,089</b>
Charges for Services					
Services rendered	95,000	95,000	84,593	(10,407)	95,668
Sales	800	800	3,886	3,086	18,278
<b>Total Charges for Services</b>	<b>95,800</b>	<b>95,800</b>	<b>88,479</b>	<b>(7,321)</b>	<b>113,946</b>
Interest and Rentals					
Interest and dividends	150	150	1,820	1,670	879
Rent	2,400	2,400	2,400	-	2,600
<b>Total Interest and Rentals</b>	<b>2,550</b>	<b>2,550</b>	<b>4,220</b>	<b>1,670</b>	<b>3,479</b>
Other Revenue					
Sale of fixed assets	42,000	42,000	41,223	(777)	-
Contributions and donations	3,000	3,000	2,165	(835)	850
Reimbursements	2,000	2,000	3,309	1,309	3,166
Other	10,500	10,500	10,236	(264)	13,090
<b>Total Other Revenue</b>	<b>57,500</b>	<b>57,500</b>	<b>56,933</b>	<b>(567)</b>	<b>17,106</b>
<b>TOTAL REVENUES</b>	<b>512,880</b>	<b>512,880</b>	<b>501,081</b>	<b>(11,799)</b>	<b>776,020</b>

# Village Of Howard City

Montcalm County, Michigan

General Fund

Budgetary Comparison Schedule

For the year ended February 28, 2006

	Original budget	Final budget	Actual	Variance with final budget	2005
<b><u>EXPENDITURES</u></b>					
General government					
Village Council	\$ 13,583	\$ 13,583	\$ 9,184	\$ 4,399	\$ 10,740
Manager	80,545	80,545	74,976	5,569	65,839
Audit	2,000	2,000	2,100	(100)	1,700
Buildings and grounds	17,000	17,000	21,139	(4,139)	12,620
Attorney	22,000	22,000	23,558	(1,558)	24,438
<b>Total General government</b>	<b>135,128</b>	<b>135,128</b>	<b>130,957</b>	<b>4,171</b>	<b>115,337</b>
Public safety					
Police	237,924	237,924	233,762	4,162	197,099
Fire department	104,471	104,471	100,540	3,931	350,794
<b>Total Public safety</b>	<b>342,395</b>	<b>342,395</b>	<b>334,302</b>	<b>8,093</b>	<b>547,893</b>
Department of public works					
Department of public works	22,404	22,404	34,337	(11,933)	30,734
Sanitation	1,000	1,000	1,526	(526)	1,689
<b>Total Department of public works</b>	<b>23,404</b>	<b>23,404</b>	<b>35,863</b>	<b>(12,459)</b>	<b>32,423</b>
Recreation and culture					
Parks and recreation	21,699	21,699	21,451	248	12,886
Other governmental functions					
Insurance	39,500	39,500	30,254	9,246	38,141
<b>TOTAL EXPENDITURES</b>	<b>562,126</b>	<b>562,126</b>	<b>552,827</b>	<b>9,299</b>	<b>746,680</b>
<b><u>OTHER FINANCING SOURCES (USES)</u></b>					
Transfers in	-	-	-	-	18,372
Transfers out	-	-	-	-	(36,053)
<b>TOTAL OTHER FINANCING SOURCES (USES)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(17,681)</b>
<b>NET CHANGE IN FUND BALANCES</b>	<b>(49,246)</b>	<b>(49,246)</b>	<b>(51,746)</b>	<b>(2,500)</b>	<b>11,659</b>
<b>Fund balance at beginning of year</b>	<b>78,330</b>	<b>78,330</b>	<b>78,330</b>	<b>-</b>	<b>66,671</b>
<b>Fund balance at end of year</b>	<b>\$ 29,084</b>	<b>\$ 29,084</b>	<b>\$ 26,584</b>	<b>\$ (2,500)</b>	<b>\$ 78,330</b>

# Village of Howard City

Montcalm County, Michigan

Major Street Special Revenue Fund

Balance Sheet

February 28, 2006

	2006	2005
<b>ASSETS</b>		
Cash	\$ 10,211	\$ 19,794
Due from other funds	5,100	-
<b>TOTAL ASSETS</b>	<b>\$ 15,311</b>	<b>\$ 19,794</b>
<b>LIABILITIES AND FUND BALANCES</b>		
<b>LIABILITIES</b>		
Accounts payable	\$ 148	\$ -
<b>FUND BALANCES</b>		
Reserved for streets	15,163	19,794
<b>TOTAL LIABILITIES AND FUND BALANCES</b>	<b>\$ 15,311</b>	<b>\$ 19,794</b>

# Village of Howard City

Montcalm County, Michigan

Major Street Special Revenue Fund

Budgetary Comparison Schedule

For the year ended February 28, 2006

	Original budget	Original and final budget	Actual	Variance with final budget	Prior year
<b>REVENUE</b>					
Michigan transportation fund	\$ 105,000	\$ 105,000	\$ 111,488	\$ (6,488)	\$ 114,965
Interest and dividends	75	75	394	(319)	95
Other	-	-	225	(225)	-
<b>TOTAL REVENUE</b>	<b>105,075</b>	<b>105,075</b>	<b>112,107</b>	<b>(7,032)</b>	<b>115,060</b>
<b>EXPENDITURES</b>					
Street construction	8,140	8,140	3,919	4,221	-
Street preservation	56,315	56,315	58,483	(2,168)	47,518
Traffic services	2,500	2,500	1,769	731	2,115
Winter maintenance	22,400	22,400	25,327	(2,927)	16,576
Administration and engineering	17,310	17,310	9,740	7,570	12,513
<b>TOTAL EXPENDITURES</b>	<b>106,665</b>	<b>106,665</b>	<b>99,238</b>	<b>7,427</b>	<b>78,722</b>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES</b>	<b>(1,590)</b>	<b>(1,590)</b>	<b>12,869</b>	<b>(14,459)</b>	<b>36,338</b>
<b>OTHER FINANCING SOURCES (USES)</b>					
Transfers out	(17,411)	(17,411)	(17,500)	(89)	(22,368)
<b>NET CHANGE IN FUND BALANCES</b>	<b>(19,001)</b>	<b>(19,001)</b>	<b>(4,631)</b>	<b>(14,548)</b>	<b>13,970</b>
<b>Fund balance</b>	<b>19,794</b>	<b>19,794</b>	<b>19,794</b>	<b>-</b>	<b>5,824</b>
<b>Fund balance at end of year</b>	<b>\$ 793</b>	<b>\$ 793</b>	<b>\$ 15,163</b>	<b>\$ (14,548)</b>	<b>\$ 19,794</b>

# Village of Howard City

Montcalm County, Michigan

Ensley/Washburn Project Fund

Balance Sheet

February 28, 2006

<u>2006</u>	
<u>ASSETS</u>	
Cash	\$ 167,141
<u>LIABILITIES AND FUND BALANCES</u>	
<u>FUND BALANCE</u>	
Reserved for construction	\$ 167,141

# Village of Howard City

Montcalm County, Michigan

Ensley/Washburn Project Fund

Statement of Revenues, Expenditures and Changes in Fund Balances

For the year ended February 28, 2006

	2006
<b><u>REVENUE</u></b>	
Federal grants	\$ 67,671
Contributions from local units	140,000
Interest and dividends	3,206
<b>TOTAL REVENUE</b>	<b>210,877</b>
<b><u>EXPENDITURES</u></b>	
Capital outlay	543,736
<b>EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES</b>	<b>(332,859)</b>
<b><u>OTHER FINANCING SOURCES (USES)</u></b>	
Bond proceeds	500,000
<b>NET CHANGE IN FUND BALANCES</b>	<b>167,141</b>
<b>Fund balance beginning of year</b>	<b>-</b>
<b>Fund balance end of year</b>	<b>\$ 167,141</b>

## Other Supplemental Information

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# Village of Howard City

Montcalm County, Michigan

Nonmajor Funds

Combining Balance Sheet

February 28, 2006

	Special Revenue Funds		Debt Service Fund
	Local Street Fund	Locally Raised Streets Fund	Street Bond Fund
<b><u>ASSETS</u></b>			
Cash	\$ 2,208	\$ 64	\$ 9,340
<b><u>LIABILITIES AND FUND BALANCES</u></b>			
<b><u>LIABILITIES</u></b>			
Accounts payable	\$ 197	\$ -	\$ -
Due to other funds	2,000	3,100	-
<b>TOTAL LIABILITIES</b>	<b>2,197</b>	<b>3,100</b>	<b>-</b>
<b><u>FUND BALANCES</u></b>			
Reserved for			
Streets	11	(3,036)	-
Debt service	-	-	9,340
<b>TOTAL FUND BALANCES</b>	<b>11</b>	<b>(3,036)</b>	<b>9,340</b>
<b>TOTAL LIABILITIES AND FUND BALANCES</b>	<b>\$ 2,208</b>	<b>\$ 64</b>	<b>\$ 9,340</b>



Capital Project Fund			
Renaissance Grant Fund		Total	
\$	-	\$	11,612
\$	-	\$	197
	-		5,100
	-		5,297
	-		(3,025)
	-		9,340
			6,315
\$	-	\$	11,612

# Village of Howard City

Montcalm County, Michigan

Nonmajor Funds

Combining Statement of Revenues, Expenditures and Changes in Fund Balances

For the year ended February 28, 2006

	Special Revenue Funds		Debt Service Fund
	Local Street Fund	Locally Raised Streets Fund	Street Bond Fund
<b><u>REVENUE</u></b>			
Michigan transportation fund	\$ 45,231	\$ -	\$ -
Metro act	7,657	-	-
Property taxes	-	68,426	-
Interest and dividends	68	482	126
<b>TOTAL REVENUE</b>	<b>52,956</b>	<b>68,908</b>	<b>126</b>
<b><u>EXPENDITURES</u></b>			
Public Works	69,243	109,746	-
Debt service	-	-	15,122
Capital projects	-	-	-
<b>TOTAL EXPENDITURES</b>	<b>69,243</b>	<b>109,746</b>	<b>15,122</b>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES</b>	<b>(16,287)</b>	<b>(40,838)</b>	<b>(14,996)</b>
<b><u>OTHER FINANCING SOURCES (USES)</u></b>			
Transfers in	10,000	-	15,000
Transfers out	(7,500)	-	-
<b>TOTAL OTHER FINANCING SOURCES (USES)</b>	<b>2,500</b>	<b>-</b>	<b>15,000</b>
<b>NET CHANGE IN FUND BALANCES</b>	<b>(13,787)</b>	<b>(40,838)</b>	<b>4</b>
<b>FUND BALANCES, BEGINNING OF YEAR</b>	<b>13,798</b>	<b>37,802</b>	<b>9,336</b>
<b>FUND BALANCES, END OF YEAR</b>	<b>\$ 11</b>	<b>\$ (3,036)</b>	<b>\$ 9,340</b>

Capital Project Fund			
Renaissance Grant Fund		Total	
\$	-	\$	45,231
	-		7,657
	-		68,426
	-		676
	-		121,990
	-		178,989
	-		15,122
	110		110
	110		194,221
	(110)		(72,231)
	-		25,000
	-		(7,500)
	-		17,500
	(110)		(54,731)
	110		61,046
\$	-	\$	6,315

# Village of Howard City

Montcalm County, Michigan

Local Street Special Revenue Fund

Balance Sheet

February 28, 2006

	2006	2005
<b>ASSETS</b>		
Cash	\$ 2,208	\$ 13,798
<b>LIABILITIES AND FUND BALANCES</b>		
<b>LIABILITIES</b>		
Accounts payable	\$ 197	\$ -
Due to other funds	2,000	-
<b>TOTAL LIABILITIES</b>	<b>2,197</b>	<b>-</b>
<b>FUND BALANCES</b>		
Reserved for streets	11	13,798
<b>TOTAL LIABILITIES AND FUND BALANCES</b>	<b>\$ 2,208</b>	<b>\$ 13,798</b>

# Village of Howard City

Montcalm County, Michigan

Local Street Special Revenue Fund

Budgetary Comparison Schedule

For the year ended February 28, 2006

	Original and final budget	Actual	Variance with final budget	Prior year
<b>REVENUE</b>				
Michigan transportation fund	\$ 44,000	\$ 45,231	\$ (1,231)	\$ 47,307
Metro Act	3,000	7,657	(4,657)	6,948
Interest and dividends	20	68	(48)	12
<b>TOTAL REVENUE</b>	<b>47,020</b>	<b>52,956</b>	<b>(5,936)</b>	<b>54,267</b>
<b>EXPENDITURES</b>				
Street preservation	62,899	46,201	16,698	37,686
Traffic services	500	70	430	47
Winter maintenance	12,900	15,385	(2,485)	7,553
Administration and engineering	15,310	7,587	7,723	6,899
<b>TOTAL EXPENDITURES</b>	<b>91,609</b>	<b>69,243</b>	<b>22,366</b>	<b>52,185</b>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES</b>	<b>(44,589)</b>	<b>(16,287)</b>	<b>(28,302)</b>	<b>2,082</b>
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers in	10,000	10,000	-	15,000
Transfers out	(7,411)	(7,500)	(89)	(7,365)
<b>TOTAL OTHER FINANCING SOURCES (USES)</b>	<b>2,589</b>	<b>2,500</b>	<b>(89)</b>	<b>7,635</b>
<b>NET CHANGE IN FUND BALANCES</b>	<b>(42,000)</b>	<b>(13,787)</b>	<b>(28,391)</b>	<b>9,717</b>
<b>Fund balance at beginning of year</b>	<b>13,798</b>	<b>13,798</b>	<b>-</b>	<b>4,081</b>
<b>Fund balance at end of year</b>	<b>\$ (28,202)</b>	<b>\$ 11</b>	<b>\$ (28,391)</b>	<b>\$ 13,798</b>

# Village of Howard City

Montcalm County, Michigan

Locally Raised Street Fund

Balance Sheet

February 28, 2006

	2006	2005
<b><u>ASSETS</u></b>		
Cash	\$ 64	\$ 37,802
<b><u>LIABILITIES AND FUND BALANCES</u></b>		
<b><u>LIABILITIES</u></b>		
Due to other funds	\$ 3,100	\$ -
<b><u>FUND BALANCES</u></b>		
Fund balance	(3,036)	37,802
<b>TOTAL LIABILITIES AND FUND BALANCES</b>	<b>\$ 64</b>	<b>\$ 37,802</b>

# Village of Howard City

Montcalm County, Michigan

Locally Raised Street Fund

Budgetary Comparison Schedule

For the year ended February 28, 2006

	Original and final budget	Actual	Variance with final budget	2005
<b>REVENUE</b>				
Taxes	\$ 71,500	\$ 68,426	\$ (3,074)	\$ 64,569
Interest and dividends	75	482	407	89
<b>TOTAL REVENUE</b>	<b>71,575</b>	<b>68,908</b>	<b>(2,667)</b>	<b>64,658</b>
<b>EXPENDITURES</b>				
Street construction	5,000	650	4,350	200
Street preservation	19,000	10,574	8,426	7,938
Administration and engineering	1,250	-	1,250	200
Street lighting	16,000	16,128	(128)	16,479
Capital outlay	67,325	66,978	347	14,268
Principal payments	-	15,416	(15,416)	-
<b>TOTAL EXPENDITURES</b>	<b>108,575</b>	<b>109,746</b>	<b>(1,171)</b>	<b>39,085</b>
<b>NET CHANGE IN FUND BALANCES</b>	<b>(37,000)</b>	<b>(40,838)</b>	<b>(3,838)</b>	<b>25,573</b>
Fund balance beginning of year	37,802	37,802	-	12,229
Fund balance end of year	\$ 802	\$ (3,036)	\$ (3,838)	\$ 37,802

# Village of Howard City

Montcalm County, Michigan

Street Bond Debt Service Fund

Balance Sheet

February 28, 2006

	2006	2005
<b><u>ASSETS</u></b>		
Cash	\$ 9,340	\$ 9,336
<b>FUND BALANCES</b>		
Fund balance	\$ 9,340	\$ 9,336



# Village of Howard City

Montcalm County, Michigan

Street Bond Debt Service Fund

Statement of Revenues, Expenditures and Changes in Fund Balances

For the year ended February 28, 2006

	2006	2005
<b><u>REVENUE</u></b>		
Interest and dividends	\$ 126	\$ 20
<b><u>EXPENDITURES</u></b>		
Principal	13,000	12,000
Interest	1,822	2,451
Fees	300	300
<b><u>TOTAL EXPENDITURES</u></b>	<b>15,122</b>	<b>14,751</b>
<b><u>EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES</u></b>	<b>(14,996)</b>	<b>(14,731)</b>
<b><u>OTHER FINANCING SOURCES (USES)</u></b>		
Transfers in	15,000	14,733
<b>NET CHANGE IN FUND BALANCES</b>	<b>4</b>	<b>2</b>
<b><u>Fund balance beginning of year</u></b>	<b>9,336</b>	<b>9,334</b>
<b><u>Fund balance end of year</u></b>	<b>\$ 9,340</b>	<b>\$ 9,336</b>

# Village of Howard City

Montcalm County, Michigan

Renaissance Grant Fund

Balance Sheet

February 28, 2006

	2006	2005
<b><u>ASSETS</u></b>		
Cash	\$ -	\$ 188
<b><u>LIABILITIES AND FUND EQUITY</u></b>		
<b><u>LIABILITIES</u></b>		
Due to other funds	\$ -	\$ 78
<b><u>FUND BALANCES</u></b>		
Fund balance	-	110
<b>TOTAL LIABILITIES AND FUND BALANCES</b>	<b>\$ -</b>	<b>\$ 188</b>

# Village of Howard City

Montcalm County, Michigan

Renaissance Grant Fund

Statement of Revenues, Expenditures and Changes in Fund Balances

For the year ended February 28, 2006

	2006	2005
<b><u>EXPENDITURES</u></b>		
Other	\$ 110	\$ -
NET CHANGE IN FUND BALANCES	(110)	-
Fund balance beginning of year	110	110
Fund balance end of year	\$ -	\$ 110

## Long-term Debt Schedules

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# Village of Howard City

Village of Howard City

Schedule of Bonded Debt

**\$516,000 Sewer System Revenue Bonds, Series 1986**

February 28, 2006

Year ended	Interest Rate	January 1 Principal	July 1 Interest	January 1 Interest	Total
2007	4.500%	\$ 21,000	\$ 473	\$ 473	\$ 21,946
Totals		\$ 21,000	\$ 473	\$ 473	\$ 21,946

# Village of Howard City

Village of Howard City

Schedule of Bonded Debt

\$585,000 Sewer System Revenue Bonds, Series 1994

February 28, 2006

Year ended February 28,	Interest Rate	April 1 Principal	April 1 Interest	October 1 Interest	Total
2007	4.500%	\$ 8,000	\$ 11,587	\$ 11,407	\$ 30,994
2008	4.500%	9,000	11,407	11,205	31,612
2009	4.500%	9,000	11,205	11,003	31,208
2010	4.500%	10,000	11,003	10,777	31,780
2011	4.500%	10,000	10,777	10,553	31,330
2012	4.500%	11,000	10,553	10,305	31,858
2013	4.500%	11,000	10,305	10,057	31,362
2014	4.500%	12,000	10,057	9,788	31,845
2015	4.500%	12,000	9,788	9,517	31,305
2016	4.500%	13,000	9,517	9,225	31,742
2017	4.500%	14,000	9,225	8,910	32,135
2018	4.500%	14,000	8,910	8,595	31,505
2019	4.500%	15,000	8,595	8,258	31,853
2020	4.500%	16,000	8,258	7,897	32,155
2021	4.500%	16,000	7,897	7,538	31,435
2022	4.500%	18,000	7,538	7,132	32,670
2023	4.500%	18,000	7,132	6,728	31,860
2024	4.500%	19,000	6,728	6,300	32,028
2025	4.500%	20,000	6,300	5,850	32,150
2026	4.500%	21,000	5,850	5,377	32,227
2027	4.500%	22,000	5,377	4,883	32,260
2028	4.500%	23,000	4,883	4,365	32,248
2029	4.500%	25,000	4,365	3,802	33,167
2030	4.500%	25,000	3,802	3,240	32,042
2031	4.500%	27,000	3,240	2,633	32,873
2032	4.500%	28,000	2,633	2,002	32,635
2033	4.500%	30,000	2,002	1,328	33,330
2034	4.500%	31,000	1,328	630	32,958
2035	4.500%	28,000	630	-	28,630
Totals	\$	\$ 515,000	\$ 210,892	\$ 199,305	\$ 925,197

# Village of Howard City

Village of Howard City

Schedule of Debt

**\$439,362 Renaissance Zone Loan**

February 28, 2006

Year ended February 28,	Interest Rate	Principal	Interest	Total
2007	0.000%	\$ 30,832	\$ -	\$ 30,832
2008	0.000%	30,832	-	30,832
2009	0.000%	30,832	-	30,832
2010	0.000%	30,832	-	30,832
2011	0.000%	30,832	-	30,832
2012	0.000%	30,832	-	30,832
2013	0.000%	30,832	-	30,832
2014	0.000%	30,832	-	30,832
2015	0.000%	30,832	-	30,832
2016	0.000%	30,832	-	30,832
2017	0.000%	30,832	-	30,832
2018	0.000%	30,832	-	30,832
2019	0.000%	30,832	-	30,832
2020	0.000%	23,130	-	23,130
Totals		\$ 423,946	\$ -	\$ 423,946

# Village of Howard City

Village of Howard City

Schedule of Bonded Debt

\$115,000 1997 Michigan Transportation Bonds

February 28, 2006

Year ended February 28,	Interest Rate	August 1 Principal	August 1 Interest	February 1 Interest	Total
2007	5.100%	\$ 14,000	\$ 747	\$ 390	15,137
2008	5.200%	15,000	390	-	15,390
Totals		\$ 29,000	\$ 1,137	\$ 390	30,527



# Village of Howard City

Village of Howard City

Schedule of Bonded Debt

**\$190,000 Water and Sewer System Revenue Bonds, Series 1997**

February 28, 2006

Year ended February 28,	Interest Rate	August 1 Principal	August 1 Interest	February 1 Interest	Total
2007	5.200%	\$ 30,000	\$ 3,143	\$ 2,363	\$ 35,506
2008	5.200%	30,000	2,363	1,583	33,946
2009	5.250%	30,000	1,583	795	32,378
2010	5.300%	30,000	795	-	30,795
Totals	\$	120,000	\$ 7,884	\$ 4,741	\$ 132,625

# Village of Howard City

Village of Howard City

Schedule of Debt

\$120,000 Fire Truck Installment Purchase Agreement

February 28, 2006

Year ended	Interest					
February 28,	Rate	Principal	Interest	Total		
2007	5.190%	\$ 12,811	\$ 2,873	\$ 15,684		
2008	5.190%	13,475	2,209	15,684		
2009	5.190%	14,175	1,509	15,684		
2010	5.190%	14,910	774	15,684		
Totals		\$ 55,371	\$ 7,365	\$ 62,736		

# Village of Howard City

Village of Howard City

Schedule of Debt

\$67,100 Backhoe Installment Purchase Agreement

February 28, 2006

Year ended	Interest					
February 28,	Rate	Principal	Interest	Total		
2007	3.500%	\$ 13,640	\$ 1,008	\$ 14,648		
2008	3.500%	14,125	523	14,648		
2009	3.500%	3,879	74	3,953		
Totals		\$ 31,644	\$ 1,605	\$ 33,249		

# Village of Howard City

Village of Howard City

Schedule of Debt

\$500,000 2005 Michigan Transportation Fund Bonds

February 28, 2006

Year ended February 28,	Interest Rate	Principal	April 1 Interest	October 1 Interest	Total
2007	4.000%	\$ 15,000	\$ 9,515	\$ 10,075	\$ 34,590
2008	4.000%	15,000	9,775	9,775	34,550
2009	4.000%	20,000	9,475	9,475	38,950
2010	4.000%	20,000	9,075	9,075	38,150
2011	4.000%	20,000	8,675	8,675	37,350
2012	4.000%	20,000	8,275	8,275	36,550
2013	4.000%	20,000	7,875	7,875	35,750
2014	4.000%	20,000	7,475	7,475	34,950
2015	4.000%	25,000	7,075	7,075	39,150
2016	4.000%	25,000	6,575	6,575	38,150
2017	4.050%	25,000	6,075	6,075	37,150
2018	4.050%	25,000	5,569	5,569	36,138
2019	4.050%	25,000	5,063	5,063	35,126
2020	4.050%	30,000	4,556	4,556	39,112
2021	4.050%	30,000	3,949	3,949	37,898
2022	4.050%	30,000	3,341	3,341	36,682
2023	4.050%	30,000	2,734	2,734	35,468
2024	4.050%	35,000	2,126	2,126	39,252
2025	4.050%	35,000	1,418	1,418	37,836
2026	4.050%	35,000	709	709	36,418
<b>Totals</b>		<b>\$ 500,000</b>	<b>\$ 119,330</b>	<b>\$ 119,890</b>	<b>\$ 739,220</b>

## AUDITORS' REPORTS

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## COMMUNICATION WITH AUDIT COMMITTEE OR ITS EQUIVALENT

To the Village Council  
Village of Howard City  
Montcalm County, Michigan

We have audited the general purpose financial statements of Village of Howard City, Montcalm County, Michigan for the year ended February 28, 2006, and have issued our report thereon dated July 3, 2006. Professional standards require that we provide you with the following information related to our audit.

### Our Responsibility under Generally Accepted Auditing Standards

As stated in our engagement letter dated February 6, 2006, our responsibility, as described by professional standards, is to plan and perform our audit to obtain reasonable, but not absolute, assurance that the general purpose financial statements are free of material misstatement and are fairly presented in accordance with accounting principles generally accepted in the United States of America. Because of the concept of reasonable assurance and because we did not perform a detailed examination of all transactions, there is a risk that material errors, fraud, or other illegal acts may exist and not be detected by us.

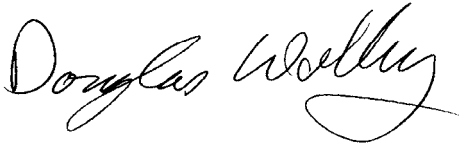
As part of our audit, we considered the internal control of Village of Howard City. Such considerations were solely for the purpose of determining our audit procedures and not to provide any assurance concerning such internal control. As part of obtaining reasonable assurance about whether the financial statements are free of material misstatement, we performed tests of the Village of Howard City's compliance with certain provisions of laws, regulations, contracts, and grants. However, the objective of our tests was not to provide an opinion on compliance with such provisions.

### Significant Accounting Policies

Management has the responsibility for selection and use of appropriate accounting policies. In accordance with the terms of our engagement letter, we will advise management about the appropriateness of accounting policies and their application. The significant accounting policies used by Village of Howard City are described in Note 1 to the general purpose financial statements. No new accounting policies were adopted and the application of existing policies was not changed during the year ended February 28, 2006. We noted no transactions entered into by Village of Howard City during the year that were both significant and unusual, and of which, under professional standards, we are required to inform you, or transactions for which there is a lack of authoritative guidance or consensus.

We encountered no significant difficulties in dealing with management in performing our audit.

This information is intended solely for the use of the Village Village Council and management of Village of Howard City and is not intended to be and should not be used by anyone other than these specified parties.



Douglas Wohlberg, CPA  
Byron Center, Michigan  
July 3, 2006

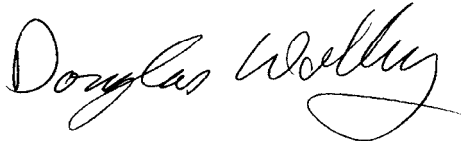
## MANAGEMENT COMMENTS LETTER

To the Village Council  
Village of Howard City  
Montcalm County, Michigan

In planning and performing our audit of the financial statements of Village of Howard City for the year ended February 28, 2006 we considered its internal control in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on internal control.

However, during our audit we became aware of matters that are opportunities for strengthening internal controls and operating efficiency. The memorandum that accompanies this letter summarizes our comments and suggestions regarding those matters. This letter does not affect our report dated July 3, 2006 on the financial statements of Village of Howard City.

We will review the status of these comments during our next audit engagement. We have already discussed these comments and suggestions with Village personnel, and we will be pleased to discuss them in further detail at your convenience, to perform any additional study of these matters, or to assist you in implementing the recommendations

A handwritten signature in black ink, reading "Douglas Wohlberg". The signature is written in a cursive, flowing style with a large loop at the end.

Douglas Wohlberg, CPA  
Byron Center, Michigan  
July 3, 2006

# MANAGEMENT COMMENTS LETTER

To the Village Council  
Village of Howard City  
Montcalm County, Michigan

Page 2

## Prior comments and suggestions

1. The capture of property taxes for the Downtown Development Authority have not been calculated properly. I recommend that Village personnel be trained in this area and work with the Assessor and the County Treasurer to ensure that future property tax collections and captures are correct.

Resolution: The Village Treasurer has learned to calculate the DDA capture and has invoiced the various taxing authorities appropriately.

2. The Equipment Fund charges rent for equipment usage by other funds. This is currently accounted for by hand. This could be accomplished more quickly and more accurately using a computerized bookkeeping program such as QuickBooks.

Resolution: Village personnel are working on a solution that will use an electronic spreadsheet to capture and summarize the rent information.

3. I recommend that the Village Council implement appropriate data backup policies and procedures for backing up all computer data and applications.

Resolution: The Village is now using a method of backing up computer data that allows personnel to store the backup off site.

4. \$600 was paid to various employees from an account named "Manager's Incentives". The Village is not legally allowed to compensate employees in this manner. I recommend that the Village discontinue this practice.

Resolution: The Village management has stopped this practice.

## Current comments and suggestions

1. The Locally Raised Street Fund has a deficit fund balance of \$3,036. I recommend the Village management establish a budget without including cash balances as fund revenues.
2. The Municipal Services Department has incorrectly charged the Local Streets Fund with employee time that should have been taken from the General Fund. I recommend the Village adopt policies and procedures to ensure that all employee time is well documented and charged to the correct fund.



**REPORT ON COMPLIANCE AND ON INTERNAL CONTROL OVER FINANCIAL REPORTING BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS**

To the Village Council  
Village of Howard City  
Montcalm County, Michigan

We have audited the general purpose financial statements of Village of Howard City, Montcalm County, Michigan as of and for the year ended February 28, 2006, and have issued our report thereon dated July 3, 2006. We conducted our audit in accordance with auditing standards generally accepted in the United States and the standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States.

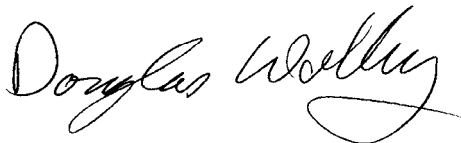
**Compliance**

As part of obtaining reasonable assurance about whether Village of Howard City's general purpose financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under Government Auditing Standards.

**Internal Control Over Financial Reporting**

In planning and performing our audit, we considered Village of Howard City's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the general purpose financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the general purpose financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses.

This report is intended solely for the information and use of the audit committee, management, others within the organization, the Village Council, and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.



Douglas Wohlberg, CPA  
Byron Center, Michigan  
July 3, 2006